



## THE CITY OF SAN DIEGO

DATE: December 9, 2009

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor Activity Report – November 2009**

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This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of November 2009. It includes the audit reports issued and other accomplishments during this period, the status of current audit projects and activities, and a summary of planned audits that we have not yet started.

### **Audit Reports and Accomplishments:**

- November 9, 2009 – Presented to the Audit Committee the results of our performance audit of the City's street maintenance functions. The presentation can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/memo\\_pdf/presentation\\_streets\\_audit\\_part\\_1.pdf](http://www.sandiego.gov/auditor/reports/memo_pdf/presentation_streets_audit_part_1.pdf)
- November 23, 2009 – Issued a Hotline report regarding our investigation of a City Comptroller employee in response to an allegation that the employee submitted false information on City employment applications, and fraudulently obtained health and dental insurance benefits. Our investigation concluded that the allegations are substantiated in part. We found the employee misrepresented some information on City job applications, and enrolled an individual as a spousal dependent for City insurance benefits while not legally married to the individual. We recommended the Comptroller take appropriate disciplinary action. The Comptroller determined that the actions of the employee fell short of termination, but appropriate disciplinary action will be taken. We also recommended the Risk Management Department implement a new process to verify spousal and dependent eligibility before City insurance benefits are provided. Risk Management did not agree with our recommendation. The report can be found on our website at:  
[http://www.sandiego.gov/auditor/reports/hotline\\_pdf/hotline\\_sd\\_emp\\_%20investigative\\_report.pdf](http://www.sandiego.gov/auditor/reports/hotline_pdf/hotline_sd_emp_%20investigative_report.pdf)

**Audit Reports and Accomplishments (Continued):**

- November 30, 2009 – Issued our San Diego Data Processing Corporation (SDDPC) Follow-up Audit report. We found that SDDPC implemented most of the recommendations made in 2004. However, during the follow-up audit, we found indicators of weaknesses in the Operating Agreement governing SDDPC's procurement function and we took additional steps to review and assess the City's oversight of SDDPC. We found that the contract terms between SDDPC and the City do not establish sufficient performance and reporting requirements. We also found that the SDDPC bylaws do not incorporate controls to enhance transparency of SDDPC operations and SDDPC's accountability to the City. We made 16 recommendations to strengthen the City's oversight and approval of SDDPC activities, improve SDDPC's competitive practices and transparency related to IT procurement for the city, and to ensure adequate internal controls over SDDPC's procurement, billing, and financial reporting. The management responses to our audit did not clearly indicate whether or not the recommendations will be implemented. The report can be found on our website at: [http://www.sandiego.gov/auditor/reports/audit\\_pdf/sddpc\\_follow-up\\_audit.pdf](http://www.sandiego.gov/auditor/reports/audit_pdf/sddpc_follow-up_audit.pdf)

**Current Audits and Activities:**

Audit Activity	Status	Target Completion Date
<b>Public Utilities - Bid-To-Goal Program Audit</b>	The objectives of this audit are to determine the efficiency and effectiveness of the Public Utilities Department's Bid to Goal Program, including reviewing the processes for (1) developing the Private Market Proposal and employee bids, (2) establishing performance goals and evaluating how they are achieved, (3) calculating cost savings and efficiencies, and (4) implementing recommendations from external audits of the Department's processes. This audit will be paid for by Public Utilities under our Service Level Agreement. We have used approximately 1,016 audit hours.	December 2009

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Citywide Revenue Audit</b>	The objective of this audit is to assess the risk associated with the various revenues collected by the City, identify revenue categories that have not been audited by the City, and recommend a strategy for auditing revenues based on risk to the City. Furthermore, this audit will review the activities of the Treasurer's Revenue Audit and Appeals Division. We have used approximately 791 audit hours.	December 2009
<b>Purchasing and Contracting – Requisition, Purchase Order and Contract Management</b>	The objective of this audit is to determine if Purchasing and Contracting has sound procurement procedures in place and to evaluate the efficiency and effectiveness of the Department's procedures. We completed an audit of the contracts associated with the debris removal program to clear homes destroyed in the 2007 wildfires within the scope of this audit. We are now auditing Citywide purchasing and contracting procedures. We have used approximately 1,920 audit hours.	January 2010
<b>Purchasing and Contracting - Equal Opportunity Contracting and Labor Compliance Audit</b>	The objective of this audit is to determine the efficiency and effectiveness of the City's equal opportunity contracting and labor compliance. We have used approximately 897 audit hours.	January 2010

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>City Treasurer - Investment Activities Audit</b>	The objective of this audit is to determine if investments are being properly handled, accounted for and accurately reported in the City's financial statements. We have used approximately 551 audit hours.	January 2010
<b>Close-out Audits</b>	Close-out audits are required by City Charter, Article VII, Section 111 when a City Official leaves office. The primary audit objectives are to verify that there are no outstanding debts owed by the City Official to the City, and to ensure that access to critical information and processes has been revoked. We are conducting close-out audits for Anna Danegger, former Business Office Department Director, and Tracy Jarman, former Fire Chief. We have used approximately 12 hours on these audits.	January 2010
<b>Audit of Development Services' Process for the Collection of Public Utilities Fees</b>	The objective of this audit is to determine if Development Services has adequate procedures in place to ensure the proper collection of Public Utilities fees. Audit fieldwork is in progress. We have used approximately 427 audit hours.	January 2010

**Current Audits and Activities (Continued):**

<b>Audit Activity</b>	<b>Status</b>	<b>Target Completion Date</b>
<b>Enterprise Resource Planning (ERP) System Implementation Review</b>	The objectives of this audit are: (a) determine if the City's key financial activities were adequately reviewed and documented prior to the new system implementation to ensure key financial processes are properly addressed by the new system (b) determine if the system was adequately tested prior to implementation and (c) review high risk interfaced and impacted systems post SAP go-live. Audit fieldwork is in progress. Approximately 2,209 audit hours have been used. One report has already been issued during this audit.	TBD
<b>General Services - Streets Division Roadways Audit (Part I, II, &amp; III)</b>	The objective of this audit is to determine if City streets are being efficiently and effectively maintained by the City. Audit fieldwork is in progress. We have used approximately 1,102 audit hours. We issued a report on Part I, and we plan to issue two additional reports.	TBD Part II and III
<b>City Treasurer - Delinquent Account Collections Audit</b>	The objective of this audit is to determine if overdue accounts due to the City are being properly noticed, collected, accounted for, and accurately reported in the City's financial statements. We issued a report on December 2, 2009 regarding Development Services Department's lack of referrals to City Treasurer's for collection efforts on \$3 million of unpaid fees. Audit fieldwork for a second and final report is in progress. We have used approximately 486 audit hours.	TBD

**Current Audits and Activities (Continued):**

Audit Activity	Status	Target Completion Date
<b>Disclosure Practices Working Group (DPWG)</b>	City Auditor staff participates in DPWG meetings as an ex officio member. We spent approximately 8 hours participating in DPWG meetings during this month.	On-going
<b>Fraud, Waste and Abuse Hotline</b>	We review and administer the City's Hotline calls that are received. Investigations are performed by the Office of the City Auditor for accusations of material fraud, waste or abuse, and we issue Hotline reports on any fraud related allegations that are substantiated. During the month of November, there were approximately 4 new hotline calls received, and we spent approximately 106 hours conducting investigations.	On-going
<b>Follow-up on All Audit Reports Issued in FY08 Through the First Quarter of FY09</b>	We created a database to track all of our audit recommendations made since FY08. We provided our database to City Comptroller staff for follow-up. Comptroller staff will contact those responsible for implementing our recommendations and provide a status update to the City Auditor on all of our recommendations by the end of December 2009. City Auditor staff will then conduct testing to verify that the recommendations marked as completed have actually been implemented.	On-going

**Planned FY10 Audits Not Yet Started:**

<b>Planned Audit</b>	<b>Estimated Audit Hours</b>
<b>City Treasurer – Parking Administration Audit</b>	640
<b>Risk Management – Public Liability and Loss Recovery Audit</b>	880
<b>Police Department – Fiscal Services (Animal Services Contract) Audit</b>	600
<b>City Comptroller / Personnel Department – Payroll Audit</b>	1,280
<b>Risk Management – Workers’ Compensation Audit</b>	1,200
<b>Fire Rescue – Fire Prevention Audit</b>	920
<b>Engineering and Capital Projects – CIP Audit</b>	1,880
<b>Annual Central Stores Inventory Audit FY10</b>	45

Respectfully Submitted,



Eduardo Luna  
City Auditor

cc: Honorable Mayor Jerry Sanders  
Honorable City Council Members  
Jay M. Goldstone, Chief Operating Officer  
Mary Lewis, Chief Financial Officer  
Jan Goldsmith, City Attorney  
Andrea Tevlin, Independent Budget Analyst  
Stanley Keller, Independent Oversight Monitor